



# TaxAid



**Report and Financial Statements**  
for the year ended 31 March 2016  
Company No. 3374001 • Charity No. 1062852



# Chairman's Letter

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The fact we are a charity helping people who would otherwise have no support does not absolve us from the responsibility of focusing effort on performance and cost-to-serve. The environment for the vulnerable low-income taxpayers we serve continues to shift - whether as a direct result of changes to the tax code or HMRC's operating model, or indeed broader societal changes, and we are ever mindful of being adaptable to respond. We must continue to be relevant and to operate with a sustainable business model.

Whilst the explicit move to a more digital tax system and greater use of online interactions is widely accepted as an appropriate strategy for most taxpayers it is not without its challenges for the vulnerable taxpayers we represent. Last year's closure of HMRC Enquiry Centres did, as anticipated, displace significant numbers of vulnerable taxpayers now unaware of how best to contact HMRC, and the HMRC funding to TaxAid to provide them with a safety net was much needed. The transition, though, is now regarded as being complete which has meant project funding by HMRC has been reduced by around 50% over the past year.

We are also seeing that an increasing proportion of our clients - 48% in the current year - are self-employed with incomes below the Personal Allowance. Our surveys illustrate that these are not 'entrepreneurs', but people such as cleaners, domestic, catering, building or care workers signed up as such because it is the only way they can get work. Many are struggling to meet their tax responsibilities, and for this group, some of the enablers of the digital agenda, for example the need to keep electronic records, will provide new and different challenges which they will need help with. We will continue to communicate with HMRC in highlighting emerging issues and work with them and recommend appropriate measures to enable these clients to be able to function efficiently and pay the right amount of tax.

TaxAid has changed at a fast pace over the last year to respond to the anticipated funding reduction, and the significant increase in low-income self-employment and consequent increased demand for our services. Organisational changes, begun the previous year, are now delivering significant efficiencies in terms of cost-to-serve per client. An important element is



the success of a pilot training and supporting greater numbers of professional volunteer tax advisers to follow through cases from seeing the client to casework and closure. In addition, an internal management restructure consolidated technical expertise and support. As announced earlier this calendar year, from June 2016 we will share a CEO with our sister charity Tax Help for Older People as we welcome Gary Millner on board, giving further opportunities for efficiencies through closer working of the two charities.

We are often, quite rightly, challenged as to whether we are "doing HMRC's job". But these clients who may struggle with literacy, understanding HMRC's correspondence and the overall concept and rules of compliance, need far more help than HMRC is statutorily obliged to provide and without it simply cannot be compliant. They need the services of tax professionals - but cannot afford to pay for it. For that reason we believe we continue to be highly relevant and needed, and continue to draw on the support of the profession both through volunteering and financial donations so those who fall through the net can find help in a crisis.

Our work would not be possible without the grants from Deloitte, EY, KPMG and PwC, and the continuing help from leading individuals in the profession. Steve Edge, Penny Hamilton, Paul Morton, Sir Stephen Oliver and Jonathan Peacock have been hugely generous with their support of both tax advice charities and continue to be active as members of a development committee to raise funds for our work. Chris Jones, outgoing President of the CIOT, has been and remains tireless in his personal support. I offer them, and all who have helped or worked with us, our heartfelt appreciation on behalf of our clients who so need our help.

Sue Bonney  
Chairman of Trustees

## Reference and administrative information

For the year ended 31 March 2016



<b>Status</b>	The organisation is a charitable company limited by guarantee, incorporated on 21 May 1997, registered as a charity on 13 June 1993 and governed by its Memorandum and Articles of Association.
<b>Company Number</b>	3374001
<b>Charity Number</b>	1062852
<b>Registered Office and Operational Address</b>	Room 304 164-180 Union Street LONDON SE1 0LH
<b>Patrons</b>	The Rt. Hon. Lord Carnwath CVO, Justice of The Supreme Court of the United Kingdom The Rt. Hon. Lord Hodge, Justice of the Supreme Court of the United Kingdom
<b>Trustees</b>	Sue Bonney, Chairman Stephen Banyard Francesca Lagerberg (from September 2015) Jim McKie Kevin Thomas, Treasurer
<b>Secretary and Director</b>	Rosina Pullman (to 31 May 2016) Gary Millner (from 1 June 2016)
<b>Bankers</b>	CAF Bank Limited Kings Hill WEST MALLING Kent ME19 4TA
<b>Solicitors</b>	Bates, Wells & Braithwaite London LLP 2-6 Cannon Street LONDON EC4M 6YH
<b>Auditors</b>	Sayer Vincent LLP Chartered Accountants and Statutory Auditors Invicta House 108-114 Golden Lane LONDON EC1Y 0TL

The trustees present their report and the audited financial statements for the year ended 31 March 2016.

Reference and administrative information set out page 2 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities SORP, applicable to charities preparing their accounts in accordance with FRS 102.

## Aims and activities

TaxAid resolves tax problems that people on low incomes cannot solve alone. Problems arise for three principal reasons: the tax system is complex, especially for those on low incomes; taxpayers who are caught up in the degree of complexity are ill-equipped to deal with them and require a tax-qualified expert to represent them; HMRC is not equipped to meet the extent of vulnerable taxpayers' needs in terms of calculations, independent advice or where there is a dispute.

## Ensuring our work achieves our aims

Our tax advice and educational services are available to all those on low incomes (recognised in government as that below 60% of median income or approximately £20,000 per annum), irrespective of their background and circumstances.

Advice is free, independent and confidential.

Anyone on a low income can access our services through a national helpline and through face-to-face services in London and major cities in England. The TaxAid website is designed to make tax comprehensible for those taxpayers on low incomes who struggle to understand their obligations under the tax system.

TaxAid trains front-line money and debt advisers in the voluntary sector in tax awareness. Front-line advisers are supported via a dedicated helpline providing specialist tax advice for their clients who are signposted to the services they need to resolve the tax aspects of their problems.

We meet with the government and HMRC formally and informally at consultations about tax issues which affect our low-income clients.

## Achievements and performance

It has been another busy year for TaxAid as we have provided help to people who struggle with the tax system. The impact of HMRC's own change strategy necessitated on our part the resolving of cases for the most vulnerable that were beyond HMRC's remit to help.

The new operating model improved efficiency by bringing advice provision back in house, and by training and supporting additional tax qualified volunteers to follow through cases from seeing the client to casework and closure. As a result of systemic efficiencies, we increased the number of clients served per adviser in 2015/16.

We continue to provide the safety-net in advising low income taxpayers across the UK (in circumstances where HMRC cannot act). And to take a leading role in educating both the low-income taxpayer to empower them to act on their own behalf going forward in their dealings with HMRC, and the front-line voluntary sector to act as a channel for vulnerable taxpayers in accessing free professional tax advice.

In our consultations at HMRC on behalf of the low income taxpayer we have conveyed the message of the value of case resolution as the ultimate benefit of the relationship with HMRC, with the vulnerable taxpayer as the ultimate beneficiary. The result has been an HMRC grant guaranteed for 3 years.

## Trustees' annual report

### For the year ended 31 March 2016

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In collaboration with Tax Help for Older People we raised awareness within the tax profession of the need for our advice services for those unable to pay, resulting in an appeal to the profession for increased financial support (the Bridge the Gap campaign). We would particularly like to thank the Association of Taxation Technicians, the Chartered Institute of Taxation, the Tax Faculty of the Institute of Chartered Accountants of England & Wales, and the Worshipful Company of Tax Advisers for their vital support including funding, facilities and personnel to help us and our sister charity get the campaign underway. We would particularly like to express our appreciation to LexisNexis and the personal support of Chris Jones and his team, through their publications and events which have provided the platform for launching our Bridge the Gap campaign.



## Plans for the future

- 1 Ensuring sustainability, including through piloting the extended role of volunteers to take on casework. In this way scaling up and reaching the most vulnerable will be made possible.
- 2 Research into the capacity and capability of low-income self-employed taxpayers to meet their obligations under “digital by default” and work with HMRC to ameliorate the impact on the most vulnerable.
- 3 Continue to drive down costs-to-serve, including through a closer working relationship and shared CEO with Tax Help for Older People.

We shall also continue our efforts to: work with HMRC to ensure that our intervention quickly and efficiently closes cases to the benefit of our clients, to represent the interests of the unrepresented taxpayer to government and HMRC, and particularly the cause of those most affected by such initiatives as the “drive to digital by default” and protection of rights in the debt collection legislation.

## Structure, governance and management

All members of the Trustee Board gave their time voluntarily and received no benefits from the charity. No expenses were reclaimed from the charity as set out in Note 6 to the accounts.

Trustees are sought to fill roles matching the activities of the charity with the varied expertise on the Board. New trustees are identified with the necessary specialist expertise and appropriate commercial, tax and legal experience to enrich the standing Board and are given induction and training by the current post-holders. A vacancy from the tax profession has been filled this year by Francesca Lagerberg, a highly respected tax professional with Grant Thornton. The trustees are supported in on-going training through updates from the current postholders and through their professional roles.

Day-to-day management is delegated to our Director, Rosina Pullman, who works to set guidelines. She retires at the end of May 2016 and will be replaced by Gary Millner from 1st June 2016 in the combined role of CEO of both TaxAid and Tax Help for Older People.

Valerie Boggs, FCA, CTA, is Advice Director, assisted in 2014/15 by an in-house team of seven tax professionals. We were greatly strengthened by 40 volunteers who provide face-to-face advice and casework. It is our practice to cascade information down from Trustee meetings and funnel information up from staff.

## Risk assessment

The principle risks facing the charity are that of uncertainty of funding beyond the short-term, and the issue of data security, given the sensitive nature of our work. We limit financial risk by pursuing diverse income sources that are unlikely to withdraw support simultaneously, in particular from tax professionals who respond to the Bridge the Gap appeal. Funding is necessarily somewhat reliant on our continuing relevance to the statutory sector in line with our three-year agreements with HMRC to support vulnerable taxpayers who are displaced by HMRC's own agenda.

Risks associated with personal data information are met by careful adherence to set rules, monitoring and audit overseen by a DPA-trained administrator. Our ITC support provider maintains high-level security of data.

Trustees are keen to develop TaxAid's advice services and accept that some level of risk is inherent in their active development. The trustees have therefore set up a system of on-going monitoring of high risk areas and have devised responses to minimise impact should problems arise. Financial management accounts are produced monthly for Trustees' oversight, with review at quarterly meetings. Data security is included in the overall annual risk.



## Meeting the public benefit requirement

Trustees confirm that they have complied with the duty in section 4 of the Charities Act of 2011 to have due regard to public benefit guidance published by the Commission, that there must be identifiable benefits to the public. Trustees review activities to ensure that we have met our aims in helping our beneficiaries and when planning future activities. The legal requirements to report on the two principles of public benefit, including the seven sub-principles, are met in this Report.

## Financial review

Notwithstanding the difficult economic climate TaxAid is well-placed to meet future challenges. Overall performance efficiencies have resulted in costs-to-serve per client having been reduced.

To help further secure the longer term we have launched to the tax profession the new "Bridge the Gap" appeal, jointly with our sister charity, Tax Help for Older People. In the year to end-March the contribution to TaxAid from the appeal was £27,343.

Gifts-in-kind have a significant impact on our operating costs. The wider tax profession continues to provide vital support in terms of volunteers, and for that reason their value is included in the accounts. LexisNexis continue to provide extensive tax publications and training materials for the use of our staff and volunteers. CCH provided their software free of charge for all our workstations to support on-line tax returns. PTP provide their on-line e-learning for our staff. The estimated donated gifts-in-kind from the profession in terms of expertise and use of Big 4 facilities amounted to £193,460 for the year (2015: £221,680), based on formulae developed by the London Benchmarking Group.

The statement of financial activities shows a modest deficit for the year which is a planned result that enabled operational restructure in an unstable funding environment as delays and uncertainty of level and timing of grants impacted on planning. TaxAid's income from HMRC projects decreased by 50% over the previous year as our support for taxpayers displaced by the Enquiry Centre closures came to an end. However, there is clarity about HMRC's funding commitment for service-level support for taxpayers beyond the remit of HMRC in confirmation of three continuing years of support.

Where restricted grants do not fully fund the activity, unrestricted funding makes up the shortfall, and is critical in enabling TaxAid to maintain the high level of quality of advice and the needed extensive support for very vulnerable taxpayers. Deloitte, EY, KPMG and PwC accountancy firms are major supporters and their donations are vital for all services.

## Reserves policy

The free reserves at 31 March 2016 are £252, 533, which is more than 5 months' anticipated expenditure for the current year. Trustees have satisfied themselves that safeguards are in place to allow TaxAid to operate with a comfortable margin of safety at this level. The reserves held are sufficient to cover the charity's obligations in the event of a winding up. Income and expenses are predictable. There is a valid expectation of payment under agreements already entered into.

TaxAid is required to auto enrol all eligible staff to an approved pension scheme in August 2016 and has set up the necessary procedures to contribute 3% of salaries to the scheme.

## Remuneration policy

Trustees consider staff salaries annually, and make decisions of any award dependent on the overall financial position and on consideration of market rates.

## The end of year accounts

The tax profession continues to provide vital support. Donations have been maintained again this past year from the Big 4 accountancy firms, Deloitte, EY, KPMG and PwC. Members of the Worshipful Company of Tax Advisers again provided invaluable unrestricted funding, both direct to TaxAid and to encourage further donations to our fundraising campaign. Support from the tax profession is invaluable as the prime source of support for our core needs and backroom functions.

The Chartered Institute of Taxation provided restricted funding of £20,000 that enabled us to assess the capability of clients to go online to order their tax affairs. The Henry Smith Charity provided a grant of £25,100 for a pilot that enabled us to test extending the role of volunteers. The Dulverton Trust provided core funding of £40,000.

Under their grant-in-aid programme HM Revenue and Customs funding supported the core advice provision, in particular those taxpayers HMRC were unable to serve. The Big Lottery Fund provided funding for help for the most vulnerable.



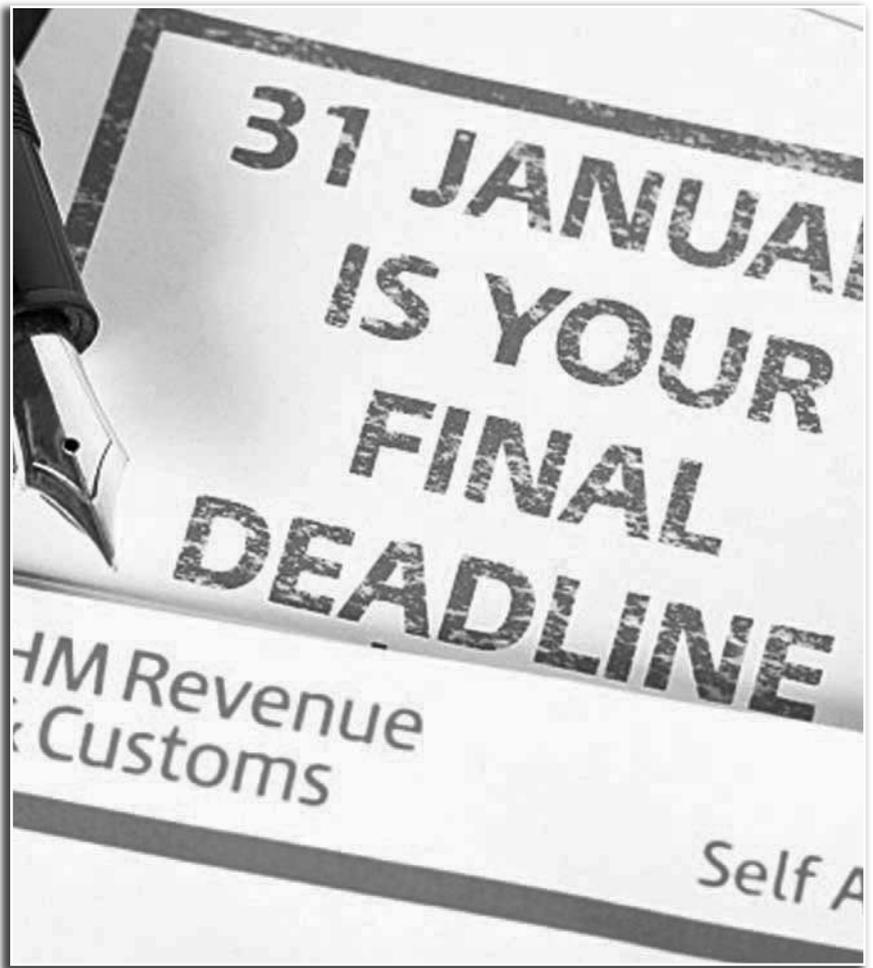
Tax education includes direct information provision on the website for the public, training for the front-line advice agencies and the income from running conferences for members of the tax profession.

## Resources expended

Expenditure to support services and training in 2015/16 was possible at a higher level by calling on reserves. The greatest expenditure is on staff costs, crucial because it is through advice and training that we deliver services.

It is not always possible to obtain the full costs via restricted grants to run services so any shortfall is made up with unrestricted funding.

Support costs which cannot be directly linked to a particular output but which are necessary to support the activities, such as rent, insurance, depreciation, equipment maintenance are apportioned based on a formula of staff time.



## Responsibilities of the trustees

The trustees (who are also directors of TaxAid UK for the purposes of company law) are responsible for preparing the report of the trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgments and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditors are unaware
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Members of the board of trustees

Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Sue Bonney (Chairman)  
Stephen Banyard  
Francesca Lagerberg (from September 2015)  
Jim McKie  
Kevin Thomas

Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. The total number of such guarantors at 31 March 2016 was 5 (2015: 4). Members of the board of trustees have no beneficial interest in the charitable company.

## Appointment of trustees

The make-up and number of the board of trustees may be changed by a resolution approved by two-thirds of the trustees and ratified at general meeting by a majority vote of the members present at the meeting. Each person who is elected a trustee shall retire on or before the expiry of a period of four years beginning with the date of the meeting at which he or she was elected. Any person so retiring shall be eligible for reappointment as a trustee.

## Auditors

Sayer Vincent LLP were re-appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

The report of the trustees has been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Approved by the board of trustees on 7 September 2016 and signed on its behalf by

Sue Bonney  
Chairman of Trustees

We have audited the financial statements of TaxAid UK for the year ended 31 March 2016 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditors

As explained more fully in the statement of responsibilities of the trustees set out in the report of the trustees, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report of the trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been properly prepared in accordance with the requirements of the Companies Act 2006

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept
- The financial statements are not in agreement with the accounting records and returns
- Certain disclosures of trustees' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit
- The trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the report of the trustees and take advantage of the small companies' exemption from the requirement to prepare a strategic report

Noelia Serrano (Senior Statutory Auditor)

Date:

for and on behalf of Sayer Vincent LLP,  
Statutory Auditors, Invicta House, 108-114 Golden Lane, London EC1Y 0TL



**Statement of financial activities** (incorporating an income and expenditure account)

**For the year ended 31 March 2016**

	Note	Unrestricted £	Restricted £	<b>2016 Total</b> £	Unrestricted £	Restricted £	2015 Total £
<b>Income from:</b>							
Donations and legacies	2	122,392	-	<b>122,392</b>	114,111	-	114,111
Charitable activities							
Advice services	3	193,460	613,068	<b>806,528</b>	221,680	1,012,581	1,234,261
Tax education	3	-	20,000	<b>20,000</b>	8,365	118,499	126,864
Investments		-	-	-	-	-	-
<b>Total income</b>		<u>315,852</u>	<u>633,068</u>	<b><u>948,920</u></b>	<u>344,174</u>	<u>1,131,080</u>	<u>1,475,254</u>
<b>Expenditure on:</b>							
Raising funds	4	16,894	-	<b>16,894</b>	13,814	-	13,814
Charitable activities							
Advice services	4	319,125	613,068	<b>932,193</b>	219,101	1,015,961	1,235,062
Tax education	4	50,970	25,119	<b>76,089</b>	59,260	110,000	169,260
<b>Total expenditure</b>		<u>386,989</u>	<u>638,187</u>	<b><u>1,025,176</u></b>	<u>292,175</u>	<u>1,125,961</u>	<u>1,418,136</u>
<b>Net (expenditure) / income for the year</b>		(71,137)	(5,119)	<b>(76,256)</b>	51,999	51,999	57,118
<b>Net movement in funds</b>		(71,137)	(5,119)	<b>(76,256)</b>	51,999	51,999	57,118
<b>Reconciliation of funds:</b>							
Total funds brought forward		333,165	5,119	<b>338,284</b>	281,166	-	281,166
<b>Total funds carried forward</b>		<u>262,028</u>	<u>-</u>	<b><u>262,028</u></b>	<u>333,165</u>	<u>5,119</u>	<u>338,284</u>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

Movements in funds are disclosed in Note 14 to the financial statements.

**Balance sheet**

Company no. 3374001



**As at 31 March 2016**

	Note	2016		2015	
		£	£	£	£
<b>Fixed assets:</b>					
Tangible assets	10		<b>9,495</b>		21,408
			<u>9,495</u>		<u>21,408</u>
<b>Current assets:</b>					
Debtors	11	<b>26,386</b>		137,419	
Cash at bank and in hand		<b>274,046</b>		238,560	
		<u>300,432</u>		<u>375,979</u>	
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	12	<b>47,899</b>		59,103	
				<u>59,103</u>	
<b>Net current assets / (liabilities)</b>			<b>252,533</b>		316,876
			<u>252,533</u>		<u>316,876</u>
<b>Total net assets / (liabilities)</b>			<b>262,028</b>		338,284
			<u>262,028</u>		<u>338,284</u>
<b>The funds of the charity:</b>					
Restricted income funds	14		-		5,119
Unrestricted income funds:					
Designated funds		<b>9,495</b>		21,408	
General funds		<b>252,533</b>		311,757	
		<u>262,028</u>		<u>333,165</u>	
Total unrestricted funds:			<b>262,028</b>		333,165
			<u>262,028</u>		<u>333,165</u>
<b>Total charity funds:</b>			<b>262,028</b>		338,284
			<u>262,028</u>		<u>338,284</u>

Approved by the trustees on 7 September 2016 and signed on their behalf by

Kevin Thomas  
Treasurer

Sue Bonney  
Chairman

**Statement of cash flows****For the year ended 31 March 2016**

	Note	2016		2015	
		£	£	£	£
<b>Cash flows from operating activities</b>	15				
<b>Net cash provided by operating activities</b>			<b>36,830</b>		46,167
<b>Cash flows from investing activities:</b>					
Purchase of fixed assets	10	<u>(1,344)</u>		<u>(3,067)</u>	
<b>Change in cash and cash equivalents in the year</b>			<b>35,486</b>		43,100
Cash and cash equivalents at the beginning of the year			<u>238,560</u>		<u>195,460</u>
Cash and cash equivalents at the end of the year	16		<u><b>274,046</b></u>		<u>238,560</u>

## 1 Accounting policies

### a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2016. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

### b) Reconciliation with previously Generally Accepted Accounting Practice (GAAP)

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was required. The transition date was 1 April 2014. No restatement was required.

### c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

### d) Going concern

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern. The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

### e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably. Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred. Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

### f) Donations of gifts, services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised so refer to the trustees' annual report for more information about their contribution.

On receipt, donated gifts, professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of the receipt.

Donations of gifts, services and facilities include seconded employees, IT software and office space. Seconded staff's services are provided free of charge to the charity and the cost of their salary is incurred by a third party. IT software and office space are included at their estimated market value when donated.

## 1 Accounting policies (continued)

### g) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

### h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is classified under the following headings:

- Costs of raising funds relate to the costs incurred by the charitable company in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose
- Expenditure on charitable activities includes the costs of delivering tax advice services and tax education activities undertaken to further the purposes of the charity and their associated support costs
- Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

### i) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

Where such information about the aims, objectives and projects of the charity is also provided to potential donors, activity costs are apportioned between fundraising and charitable activities on the basis of the personnel involved with each activity.

- |                         |     |
|-------------------------|-----|
| ● Advice services       | 90% |
| ● Tax education         | 8%  |
| ● Cost of raising funds | 1%  |
| ● Governance costs      | 1%  |

### j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

## 1 Accounting policies (continued)

### k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Depreciation is provided at rates calculated to write down the costs of each asset to its estimated residual value over its expected useful life.

The depreciation rates in use are as follows:

- Computer equipment 3 years
- Fixtures and fittings 6 years

### l) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

### m) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar amount. Cash balance exclude any funds held on behalf of service users.

### n) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measure at their settlement value with the exception of bank loans which are subsequently measure at amortised cost using the effective interest method.

### o) Pensions

The charitable company makes contributions on behalf of its employees into their pension funds. The amounts charged in the statement of financial activities represent the contributions payable to the funds in respect of the accounting period. Outstanding pension contributions at year end are included in creditors.

<b>2 Income from donations and legacies</b>	Unrestricted £	Restricted £	<b>2016 Total £</b>	2015 Total £
Gifts	122,392	-	<b>122,392</b>	114,111
	<u>122,392</u>	<u>-</u>	<u><b>122,392</b></u>	<u>114,111</u>
Professional firms and supporters				
Deloitte	20,000	-	<b>20,000</b>	20,000
E&Y	20,000	-	<b>20,000</b>	20,000
KPMG	20,000	-	<b>20,000</b>	20,000
PWC	20,000	-	<b>20,000</b>	20,000
Tax Advisors Charitable Trust	8,500	-	<b>8,500</b>	6,000
The Chartered Institute of Taxation	2,000	-	<b>2,000</b>	2,000
BDO Charitable Trust	-	-	-	5,000
	<u>90,500</u>	<u>-</u>	<u><b>90,500</b></u>	<u>93,000</u>
Other Donations	31,892	-	<b>31,892</b>	21,111
	<u>122,392</u>	<u>-</u>	<u><b>122,392</b></u>	<u>114,111</u>
<b>3 Income from charitable activities</b>	Unrestricted £	Restricted £	<b>2016 Total £</b>	2015 Total £
HM Revenue & Customs	-	495,000	<b>495,000</b>	950,000
Donations of gifts, services and facilities	193,460	-	<b>193,460</b>	221,680
Big Lottery - Reaching Communities	-	47,968	<b>47,968</b>	62,581
Dulverton Trust	-	40,000	<b>40,000</b>	-
The Henry Smith Charity	-	25,100	<b>25,100</b>	-
MSE Charity	-	5,000	<b>5,000</b>	-
Sub-total for Advice services	<u>193,460</u>	<u>613,068</u>	<u><b>806,528</b></u>	<u>1,234,261</u>
Chartered Institute of Taxation	-	20,000	<b>20,000</b>	20,000
HM Revenue & Customs	-	-	-	90,000
Big Lottery - Awards for All	-	-	-	5,119
Conference income and sales	-	-	-	8,365
Persula Foundation	-	-	-	3,380
Sub-total for Tax education	<u>-</u>	<u>20,000</u>	<u><b>20,000</b></u>	<u>126,864</u>
Total income from charitable activities	<u>193,460</u>	<u>633,068</u>	<u><b>826,528</b></u>	<u>1,361,125</u>

#### 4 Analysis of expenditure

	Charitable activities						2015 Total £
	Cost of raising funds	Advice services	Education	Governance costs	Support costs	2016 Total £	
	£	£	£	£	£	£	
Staff costs (Note 6)	6,178	528,021	42,991	6,178	38,157	<b>621,525</b>	769,527
Gifts in kind	-	193,460	-	-	-	<b>193,460</b>	221,680
Premises and office costs	979	76,215	12,387	979	7,343	<b>97,903</b>	149,545
Helpline advisers	-	3,318	-	-	-	<b>3,318</b>	102,677
Website, ICT and equipment costs	489	34,249	11,988	489	1,712	<b>48,927</b>	51,781
Legal, insurance and professional	100	7,235	900	18,831	1,425	<b>28,491</b>	31,281
Communication and travel	300	20,008	-	300	1,551	<b>22,159</b>	25,775
Other costs	-	2,695	-	-	-	<b>2,695</b>	63,110
Research and consultancy	5,618	-	1,080	-	-	<b>6,698</b>	2,760
	<u>13,664</u>	<u>865,201</u>	<u>69,346</u>	<u>26,777</u>	<u>50,188</u>	<b><u>1,025,176</u></b>	<u>1,418,136</u>
Support costs	502	45,169	4,015	502	(50,188)	-	-
Governance costs	2,728	21,823	2,728	(27,279)	-	-	-
<b>Total expenditure 2016</b>	<b><u>16,894</u></b>	<b><u>932,193</u></b>	<b><u>76,089</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,025,176</u></b>	<b><u>1,418,136</u></b>
Total expenditure 2015	<u>13,814</u>	<u>1,235,062</u>	<u>169,260</u>	<u>-</u>	<u>-</u>	<u>1,418,136</u>	

Of the total expenditure, £386,989 was unrestricted (2015: £292,175) and £638,187 was restricted (2015: £1,125,961).

**5 Net outgoing resources for the year**

This is stated after charging	<b>2016</b>	2015
	<b>£</b>	£
Depreciation	<b>13,257</b>	10,083
Operating lease rentals:		
Property	<b>66,598</b>	111,654
Auditors' remuneration (excluding VAT):		
Audit	<b>6,000</b>	5,950
Trustee indemnity insurance	<b>737</b>	734
	<u><u>          </u></u>	<u><u>          </u></u>

**6 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel**

Staff costs were as follows:	<b>2016</b>	2015
	<b>£</b>	£
Salaries and wages	<b>551,891</b>	681,884
Social security costs	<b>55,494</b>	69,566
Employer's contribution to defined contribution pension schemes	<b>7,624</b>	13,684
Other forms of employee benefits	<b>6,516</b>	4,393
	<u><u>621,525</u></u>	<u><u>769,527</u></u>

No employee earned more than £60,000 during the year (2015: nil).

The total employee benefits including pension contributions of the key management personnel were £55,756 (2015: £54,133).

The charity trustees were not paid or received any other benefits from employment with the charity in the year (2015: £nil). No charity trustee received payment for professional or other services supplied to the charity (2015: £nil).

## 7 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was as follows:

	<b>2016</b>	2015
	<b>No.</b>	No.
Raising funds	<b>0.1</b>	0.1
Advice services	<b>10.8</b>	15.8
Tax education	<b>1.0</b>	2.0
Support	<b>1.0</b>	1.0
Governance	<b>0.1</b>	0.1
	<b>13.0</b>	19.0

## 8 Related party transactions

Donations in kind were received from organisations linked to Sue Bonney, a partner at KPMG. The total of these donations amount to £20,000 (2015: £20,000). They also provide free meeting facilities.

## 9 Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

## 10 Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	<b>Total £</b>
<b>Cost or valuation</b>			
At the start of the year	27,034	27,407	<b>54,441</b>
Additions in year	-	1,344	<b>1,344</b>
At the end of the year	<u>27,034</u>	<u>28,751</u>	<b><u>55,785</u></b>
<b>Depreciation</b>			
At the start of the year	16,783	16,250	<b>33,033</b>
Charge for the year	4,506	8,751	<b>13,257</b>
At the end of the year	<u>21,289</u>	<u>25,001</u>	<b><u>46,290</u></b>
<b>Net book value</b>			
<b>At the end of the year</b>	5,745	3,750	<b>9,495</b>
At the start of the year	<u>10,251</u>	<u>11,157</u>	<u>21,408</u>

All of the above assets are used for charitable purposes.

<b>11 Debtors</b>	<b>2016</b>	2015
	<b>£</b>	£
Trade debtors	-	104,690
Other debtors	<b>15,010</b>	17,041
Prepayments	<b>11,376</b>	15,688
	<b>26,386</b>	137,419

<b>12 Creditors: amounts falling due within one year</b>	<b>2016</b>	2015
	<b>£</b>	£
Taxation and social security	<b>13,804</b>	19,832
Other creditors	<b>11,497</b>	9,755
Accruals and trade creditors	<b>22,598</b>	29,516
	<b>47,899</b>	59,103

<b>13 Analysis of net assets between funds</b>	General unrestricted	Designated	Restricted	<b>Total funds</b>
	£	£	£	£
Tangible fixed assets	-	9,495	-	<b>9,495</b>
Net current assets	252,533	-	-	<b>252,533</b>
<b>Net assets at the end of the year</b>	<b>252,533</b>	<b>9,495</b>	<b>-</b>	<b>262,028</b>

14 Movements in funds	At the start of the year £	Incoming resources & gains £	Outgoing resources & losses £	At the end of the year £
<b>Restricted funds:</b>				
Advice services	-	613,068	(613,068)	-
Tax education	5,119	20,000	(25,119)	-
<b>Total restricted funds</b>	<u>5,119</u>	<u>633,068</u>	<u>(638,187)</u>	<u>-</u>
<b>Unrestricted funds:</b>				
Designated funds:				
Capital depreciation fund	21,408	1,344	(13,257)	<b>9,495</b>
Total designated funds	<u>21,408</u>	<u>1,344</u>	<u>(13,257)</u>	<b>9,495</b>
<b>General funds</b>	<u>311,757</u>	<u>314,508</u>	<u>(373,732)</u>	<b>252,533</b>
<b>Total unrestricted funds</b>	<u>333,165</u>	<u>315,852</u>	<u>(386,989)</u>	<b>262,028</b>
<b>Total funds</b>	<u><u>338,284</u></u>	<u><u>948,920</u></u>	<u><u>(1,025,176)</u></u>	<u><u>262,028</u></u>

#### Purposes of restricted funds

##### Advice services

This fund represents income which is for delivering the main charitable purpose of TaxAid, that of advising low income clients and the generalist voluntary sector on tax matters.

##### Tax education

This fund represents income provided to improve access to information on tax so that those on low incomes are aware of their rights and responsibilities under the tax system. It is delivered through conferences, seminars, training and the TaxAid website.

#### Purposes of designated funds

The designated fund represents the net book value of assets to be depreciated in the future.

**15 Reconciliation of net income / (expenditure) to net cash flow from operating activities**

		<b>2016</b>	2015
		<b>£</b>	£
<b>Net (expenditure) / income for the reporting period (as per the statement of financial activities)</b>	<b>(76,256)</b>	57,118	
Depreciation charges		<b>13,257</b>	10,083
Decrease / (increase) in debtors		<b>111,033</b>	(31,297)
(Decrease) / increase in creditors		<b>(11,204)</b>	10,263
<b>Net cash provided by operating activities</b>		<b>36,830</b>	46,167

<b>16 Analysis of cash and cash activities</b>	At 1 April 2015	Cash flows	Other changes	<b>At 31 March 2016</b>
	£	£	£	£
Cash in hand	238,560	35,486	-	<b>274,046</b>
<b>Total cash and cash equivalents</b>	<b>238,560</b>	<b>35,486</b>	<b>-</b>	<b>274,046</b>

**17 Operating lease commitments**

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

<b>Property</b>	<b>2016</b>	2015
	£	£
Less than one year	<b>73,104</b>	72,732
One to five years	<b>12,184</b>	86,530
	<b>85,288</b>	159,262

**18 Capital commitments**

At the balance sheet date, the charity had committed to £ nil (2015: 3 nil) in respect of capital expenditure.

**19 Contingent assets or liabilities**

At balance sheet date there were no contingent assets or liabilities (2015: £ nil).

**20 Legal status of the charity**

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.



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